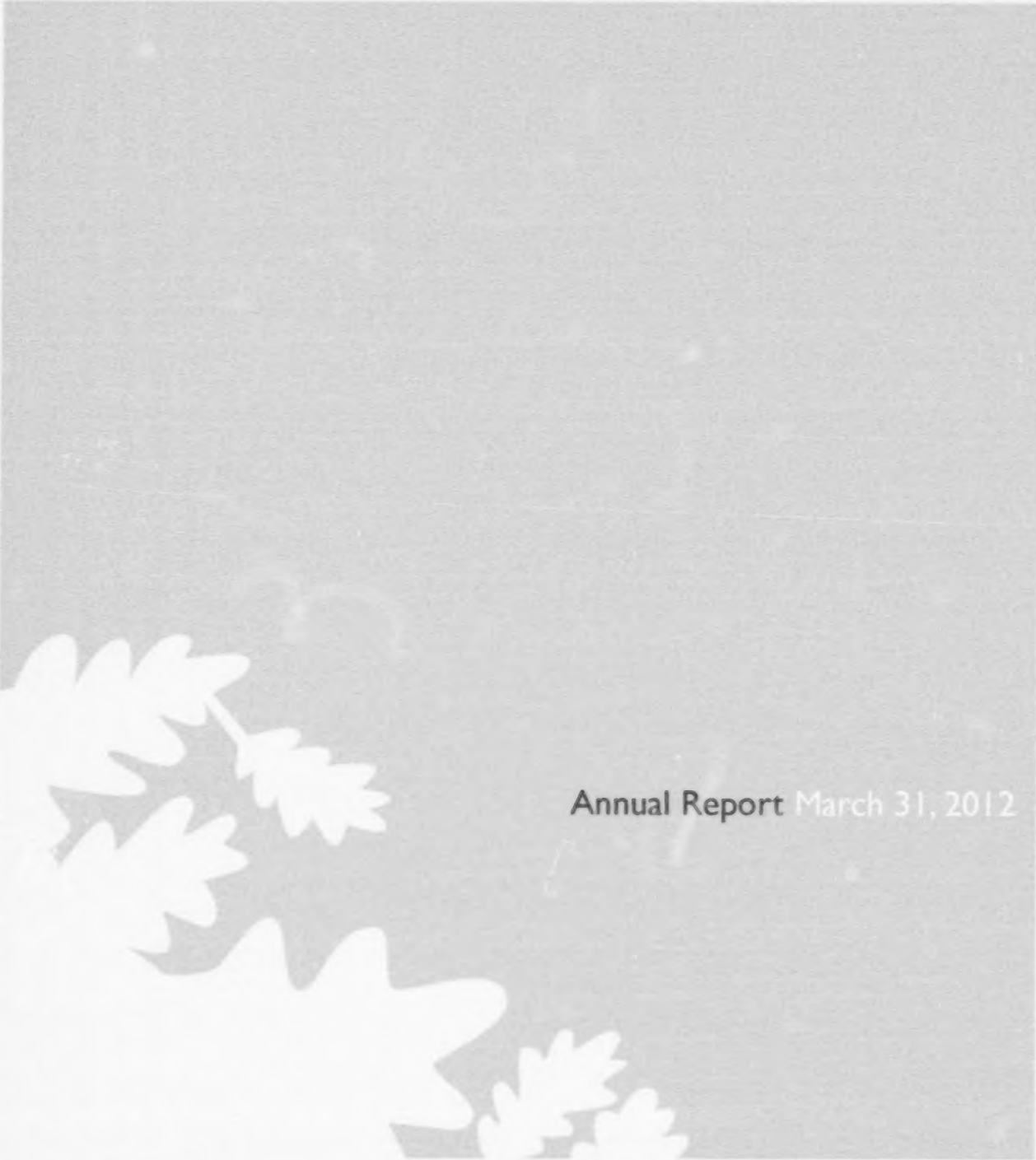




Annual Report March 31, 2012

Nova Scotia Public Service Superannuation Plan

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NOVA SCOTIA

Finance
Office of the Minister

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June 28, 2012

To: The Members and Beneficiaries of the Nova Scotia Public Service Superannuation Plan

As Trustee of the Public Service Superannuation Plan, I am pleased to present the annual report of the Plan for the fiscal year ended March 31, 2012. The annual report provides details on the health of the Plan and a comprehensive review of investment activities.

During a very challenging year for global financial markets, the Plan generated an investment return of 3.79% for the 12 months ended March 31st. Despite diminished investment returns during the year, the Plan is almost fully funded.

As a result of the 2012 Public Service Superannuation Act, the governance structure of the Plan continues to evolve. A Board comprised of employee, retiree and employer directors will become Trustee of the Plan.

The incoming Trustee Board has already begun a program of education and policy design. By April 2013, trustee responsibilities will transition to the new jointly governed board.

Sincerely,

ORIGINAL SIGNED BY MAUREEN MACDONALD

Hon. Maureen MacDonald
Minister of Finance
Trustee of the Public Service Superannuation Plan

Plan Governance

The Public Service Superannuation Plan has been in operation since 1941. The Plan provides defined benefit pension coverage for employees of the Province and certain other public sector organizations.

The rules of the Plan are contained in the Public Service Superannuation Act and Regulations. Today the Minister of Finance, as Trustee of the Plan, is responsible for all aspects of Plan operation and administration.

Modernization of the Public Service Superannuation Act

The modernization of the Public Service Superannuation Act is the next step in the process to joint trusteeship that began in 2010. The 2012 Public Service Superannuation Act is the result of two years of thoughtful stakeholder consultations and research. It incorporates best practices from leading pension plans across Canada.

The legislation received Royal Assent on May 17, 2012. It implements a joint governance framework for the Public Service Superannuation Plan.

After an approximate one-year transition period, a newly created body known as the Public Service Superannuation Plan Trustee Inc. (PSSPTI) will assume fiduciary responsibility for the Plan from the Minister of Finance.

The board of directors of PSSPTI will be comprised of directors representing employers and employees. The board will be made up of:

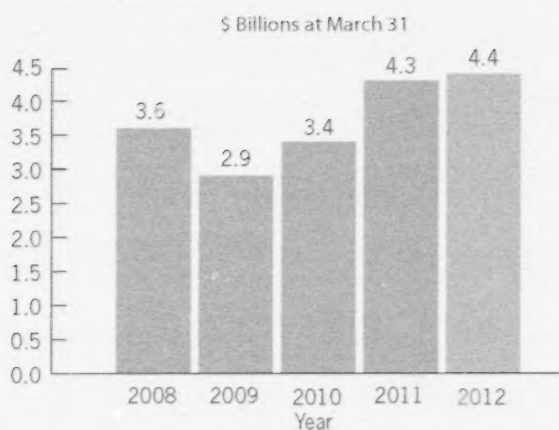
- 3 directors as designated by the Nova Scotia Government & General Employees Union;
- 1 director as designated by the Canadian Union of Public Employees Local 1987;
- 1 director representing non-unionized employees;
- 1 director representing retirees; and
- 6 directors as designated by the government.

An independent chair will be appointed by the board of directors. The incoming board has already begun a program of board education and policy design.

The legislation includes a detailed funding policy that builds on the principles of the changes made in the Financial Measures (2010) Act. On a five-year review cycle, beginning in 2015, the Trustee must review the health of the plan. Prescribed actions are set out for the Trustee depending upon the funded health of the plan.

At a Glance

Net Assets Available for Benefits



Index Returns

(M / C\$)	Annualized Returns		
	1 Year March 31, 2012	4 Year March 31, 2012	10 Year March 31, 2012
S&P/TSX Equity	-10.23%	0.50%	7.18%
S&P/TSX 60	-10.17%	0.21%	7.14%
S&P/TSX Equity Completion	-10.54%	2.08%	7.86%
DEX Universe	9.74%	6.22%	6.58%
DEX Canadian T-Bill - 30 Day	0.87%	0.89%	2.22%
S&P 500	11.52%	3.19%	-0.64%
S&P Mid Cap 400	4.78%	7.23%	2.78%
Russell 2000 TR	2.56%	5.61%	1.58%
MSCI EAFE	-3.18%	-4.32%	0.87%

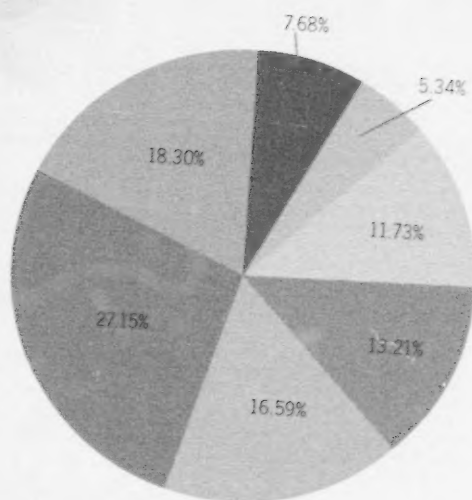
Investment Performance

	Annualized			
	1 Year March 31, 2012	4 Year March 31, 2012	10 Year March 31, 2012	15 Year March 31, 2012
Public Service Superannuation Fund Return ¹	3.79%	3.90%	5.34%	6.75%
Benchmark Return	2.95%	3.51%	5.32%	6.21%

¹ All Fund returns are gross of investment management fees. The annualized 10 and 15 year Fund returns were calculated based on an estimated management fee.

Asset Mix

AT A GLANCE



	Percent of Fund	
	March 31, 2012	March 31, 2011
Canadian Equity	11.73%	19.03%
US Equity	13.21%	16.91%
International Equity	16.59%	16.15%
Fixed Income	27.15%	26.79%
Inflation Linked	18.30%	11.49%
Alternatives	7.68%	0.00%
Money Market	5.34%	9.63%
Total Plan Assets	<u>100.00%</u>	<u>100.00%</u>

Top 20 Public Equity Holdings

Stock	\$ Value	% of Equity Holdings
Toronto-Dominion Bank		1.69%
Royal Bank of Canada	\$29,386,706	1.40%
Bank of Nova Scotia	\$24,377,982	
Canadian Natural Resources	\$21,732,919	1.25%
Suncor Energy Inc.	\$18,744,900	1.08%
Rogers Communications Inc.	\$15,506,030	0.89%
Cenovus Energy Inc.	\$12,131,939	0.70%
Imperial Oil Ltd.	\$10,653,809	0.61%
Apple Inc.	\$10,552,280	0.61%
Thomson Reuters Corp	\$10,462,515	0.60%
Canadian National Railway Co.	\$10,277,595	0.59%
Nexen Inc.	\$9,662,437	0.55%
Nestle Sa.	\$9,194,125	0.53%
SNC-Lavalin Group Inc.	\$8,980,556	0.52%
Enbridge Inc.	\$8,779,968	0.50%
Google Inc.	\$8,681,939	0.50%
Schlumberger Ltd.	\$8,457,336	0.49%
Tesco	\$8,138,597	0.47%
Loblaw Companies Ltd.	\$7,919,363	0.45%
Exxon Mobil Corp	\$7,718,839	0.44%
	\$7,650,118	0.44%

Investment Management

Economic and Capital Market Briefing

The global economy continued on the path to recovery in 2011, but at a slower pace. World economic output grew 3.8 per cent in 2011, following the 5.2 per cent increase posted in 2010. In equity markets, most global investors experienced relatively low returns and high volatility in response to the discouraging news on the European sovereign debt crisis over the 12 month period ending March 31, 2012. The bright spots were in fixed income, where the European sovereign debt crisis and credit downgrades boosted returns on government securities, inflation protected securities, and municipal bonds.

The Canadian economy experienced a slow recovery in 2011, with 2.5 per cent GDP growth. Despite a strong showing in the last 6 months, the S&P/TSX Equity Index fell 10.2 per cent. The International Monetary Fund's recent forecast for Canadian economic growth is 2.1 per cent in 2012, and 2.2 per cent in 2013. The global economic and financial environment remains a key challenge for the Canadian economy.

The U.S. recovery has also been disappointing, with growth averaging just 2.5 per cent over the last two years. Nevertheless, the economy showed resilience in the last few months of 2011. The U.S. stock market was the only major equity market to deliver positive performance in the calendar year 2011. The S&P 500 Index returned 11.5 per cent for the 12 month period ending March 31, 2012. The Eurozone recession and ongoing financial disturbance will be the major headwinds to the U.S. economy. The International Monetary Fund forecasts U.S. economic growth at 2.1 per cent in 2012 and 2.4 per cent in 2013.

In Europe, the sovereign debt crisis intensified as European policymakers struggled to prevent a Greek debt default and improve fiscal pressures in Italy and France. High borrowing costs in the most indebted European countries, combined with reduced government spending and revenues, raised more fears that the Eurozone entered, or will soon enter, a recession. For 2011, Eurozone GDP only grew 1.6 per cent. The International Monetary Fund's forecast for Eurozone economic growth is zero per cent in 2012 and 1.3 per cent in 2013.

Although some emerging economies showed resilience in 2011, investors were still worried that a recession in Europe would impact its emerging trading partners. This was particularly true in China, where high inflation and a manufacturing slowdown is threatening the fast-growing economy. Emerging markets are expected to grow in 2012 by 5.7 per cent, still more than four times as fast as developed markets.

Moving forward, the major threats to the global economy include increasing commodity prices and supply disruptions, a stalled recovery in the advanced economies and the ongoing concerns about the European sovereign debt crisis. The International Monetary Fund cut its forecast for global economic growth in 2012, citing "global growth prospects dimmed and risks sharply escalated during the fourth quarter of 2011, as the euro-area crisis entered a perilous new phase". It expects global output to grow by 3.5 per cent in 2012, down from 3.9 per cent in 2011.

Investment Management Discussion

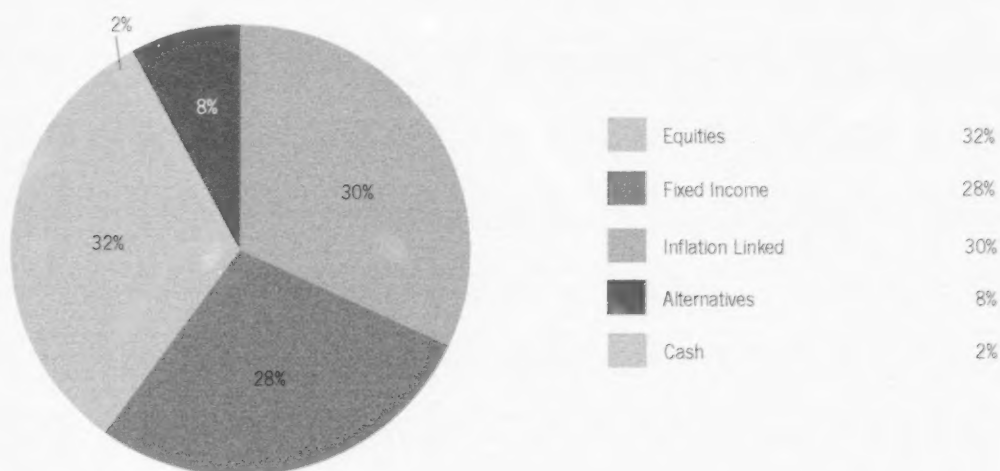
The primary goal of the Fund is to invest pension assets in a manner that maximizes investment returns, within an acceptable level of risk, which allows the Fund to meet the long-term funding requirements of the Plan.

The investment of the pension assets is guided by the Fund's Statement of Investment Policies & Goals (the "SIP&G") as written by the Trustee. The SIP&G sets out the parameters within which the investments may be made. These parameters include permissible investments and the policy asset mix of the three main asset classes - equities, fixed income and inflation-linked. The Investment Beliefs, also found within the SIP&G, state the general principles upon which the investments are made.

Asset Mix

In the spring of 2010, an Asset Allocation study was undertaken by the Trustee. The goal of the study was to review the risk/return profile of the Fund and, if required, to make amendments to the long term policy asset mix. The study paid special attention to the significant allocation to equity and the volatility and risk that it introduced to Fund assets. In the fall of 2010, with the conclusion of the study, the Trustee approved a new asset mix and, for 2011, set the goal to transition to the new targeted asset mix.

The targeted asset mix as approved by the Trustee is shown below:



The new asset mix lowered the allocation to the traditional asset classes of equity and fixed income while increasing assets in the inflation linked and alternative portfolios. The objective for the introduction of the new asset classes was to improve the diversification of the Fund and to decrease investment return volatility without impairing the long term expected investment return.

By the end of fiscal year 2011/12, a significant portion of the transition to the new asset mix was completed. Throughout the year approximately \$72.5 million was invested in real estate, approximately \$24.7 million was invested in infrastructure, approximately \$129.3 million was invested in commodities and approximately \$331.1 million was invested in alternative assets. The fixed income and real return bond portfolios were augmented in 2011/12 as was the exposure to emerging markets. The above strategies were funded through the liquidation of assets in the more traditional asset classes of equities and fixed income.

Investment Performance

In 2011/12, the Fund achieved an annual return of 3.79 per cent, gross of investment management fees. The first half of the year proved to be a difficult period for financial markets. The European debt crisis, concerns over US debt limits and the downgrade of major economies by rating agencies were just some of the issues that brought about the return of highly volatile financial markets. Global markets posted negative returns while US equity markets stood out with small but positive gains. Bond markets profited from the macro-economic distress as investors flocked to the safety of US Treasuries and other high quality sovereign bonds. The extreme volatility of the global financial markets created a difficult environment for most active investment strategies as investment managers in equities and fixed income were unable to outperform their respective benchmarks. Currency managers had a particularly difficult time executing strategies in this period.

The second half of 2011/12, however, saw some of the global macro-economic concerns recede. The release of stronger economic data in some countries and improving liquidity within the European banking sector led to lower volatility on financial markets and a more compelling investment environment. Global financial markets posted strong gains, especially in the fourth quarter of 2011/12, enabling investment managers to have greater success with active strategies. This enabled the Fund to re-coup the negative performance that was posted in the first half of the year and to add value to its market benchmark.

Investment Accomplishments within 2011/12

To lay the foundation for the funding of the new asset mix a number of steps were taken throughout the year. This included teaming up with strategic partners that could facilitate the introduction of the new asset classes from an investment and operational perspective.

Early in the year, the Trustee hired a specialized advisor to lead the implementation of the hedge fund portfolio. Funding of the portfolio took place in the second half of 2011/12 with funding completed in March 2012. The advisor will continue to assist with the ongoing monitoring of the portfolio and the due diligence of hedge fund managers.

The Trustee also approved the hiring of several new investment managers in 2011/12 to aid in the transition to the new asset mix. For the new allocation to commodities, a commodity manager was approved and funding took place in the final quarter of 2011/12. Two new investment managers in the fixed income portfolio and a modification to the mandate of an existing fixed income manager provided additional diversification in this area. Additionally, two new investment managers were funded within the emerging market equity portfolio to coincide with its targeted increase.

The infrastructure and real estate portfolios continued to evolve throughout 2011/12. The Fund gained additional exposure to Canadian and European real estate throughout the year while discussions began with a new strategic partner within the infrastructure portfolio to assist the Fund with the sourcing of infrastructure opportunities. Exposure to infrastructure increased throughout the year as existing commitments continued to be drawn down.

Investment Themes in 2012/13

In 2012/13, completing the transition to the new asset mix will be a major focus for the Trustee. With the funding of commodity, hedge fund, emerging market and fixed income mandates, the focus will shift to the real estate and infrastructure portfolios. The long term strategies to achieve the targeted allocation and targeted returns within the real estate and infrastructure portfolio will be examined. The Trustee will review these investment strategies throughout the year as well as the strategic partners that enable the Fund to make high quality investments within these portfolios.

Work will also continue in the fixed income portfolio to address concerns of rising interest rates and examine ways to enhance returns and protect assets. Similar work will continue within the equity portfolio to identify strategies that will further reduce Fund volatility while avoiding impairment of Fund returns.

Another focus of the Trustee will be risk management within the investment portfolio. A major project will be undertaken over the course of the year to lay the ground work for a rigorous risk management process and to enhance the existing framework.

Funding Level of the Plan

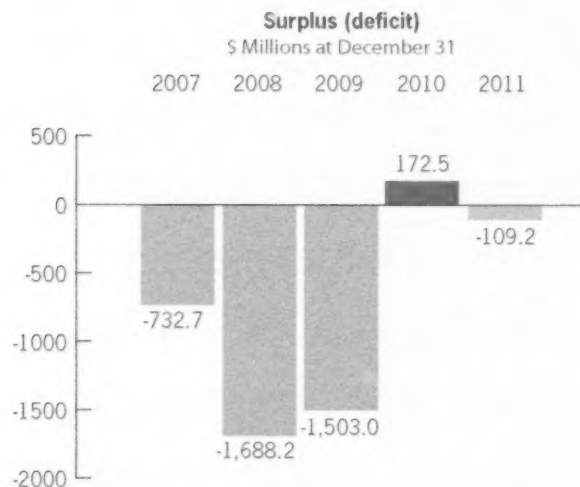
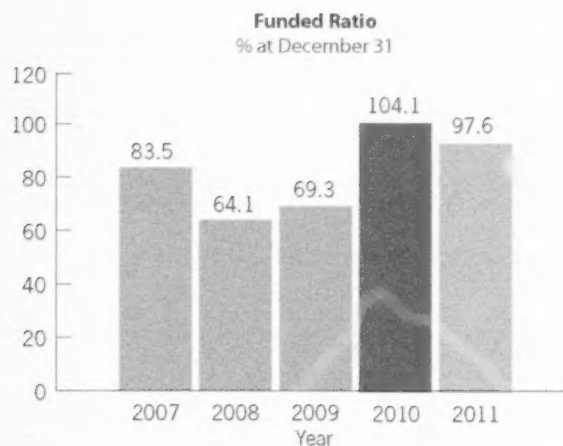
An actuarial valuation is performed for the Plan as at December 31st of each year. The primary purpose of the actuarial valuation report is to provide a snapshot of the Plan's estimated financial condition, or funding level, at a particular point in time, through a comparison of Plan assets to Plan liabilities.

At December 31, 2011, the funded ratio of the Plan was 97.6%. The funded ratio is equal to Plan assets divided by Plan liabilities.

Another measure of the funding level of the Plan is the funding surplus (deficit), which is equal to Plan assets minus liabilities. At December 31, 2011, Plan liabilities of \$4.501 billion exceeded Plan assets by \$109.2 million. Therefore, the Plan had a slight funding deficit.

The Plan's funding level declined by \$281.7 million over the previous year. There are two factors which caused this decline. At the beginning of 2011 the assumed rate of return was 6.80% (net of expenses). The actual investment return for 2011 was 1.39% (net of expenses). Therefore, the assumed rate of return was not achieved. This loss, relative to the actuarial assumption, accounts for \$206.7 million of the decline in funding. In addition, with the completion of the Plan's actuarial valuation report as of December 31, 2011, the assumed rate of return was reduced to 6.60% from 6.80%. The reduction in the assumed rate of return accounts for \$96.8 million of increased liabilities.

Starting with the 2010 actuarial valuation for funding purposes, smoothing of assets was adopted. Under asset smoothing, gains and losses on investments, relative to assumptions, are recognized over a period of five years rather than immediately. The result is a reduction in the volatility of the funding level of the Plan as stated in the actuarial valuation report.



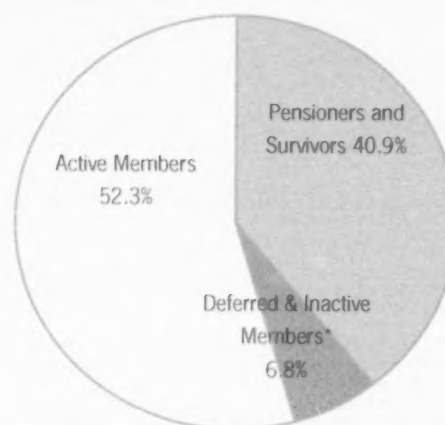
Member Profile - Public Service Superannuation Plan

As of December 31, 2011 the total membership of the Public Service Superannuation Plan was 31,595.

This includes:

Active and LTD Members	52.3%	16,521
Pensioners and Survivors	40.9%	12,926
Deferred and Inactive*	6.8%	2,148

*Deferred and Inactive members are those who have made contributions to the Plan and who are no longer working but have not yet retired, or withdrawn their contributions from the Plan.



December 31, 2010 December 31, 2011

Active and LTD Members

Number	16,794	16,521
Percentage of membership	53.6%	52.3%
Average pensionable earnings at end of year	\$56,669	\$57,993
Average years of pensionable service	12.3	12.6
Average age	47.0	47.3

Pensioners and Survivors

Number	12,467	12,926
Percentage of membership	39.8%	40.9%

Pensioners

Average annual lifetime pension	\$17,709	\$18,096
Average annual temporary pension (bridge benefit ¹)	\$7,756	\$7,941
Average age	69.4	69.4

Spouses and Ex-spouses

Average annual lifetime pension	\$11,282	\$11,338
Average age	75.2	75.5

Children

Average annual lifetime pension	\$2,853	\$2,461
Average age	19.2	19.4

Deferred Pensioners and Pending Terminations

Number	2,049	2,148
Percentage of membership	6.5%	6.8%

Deferred Pensioner

Average annual pension	\$8,453	\$8,443
Average age	49.5	50.1

Pending Terminations

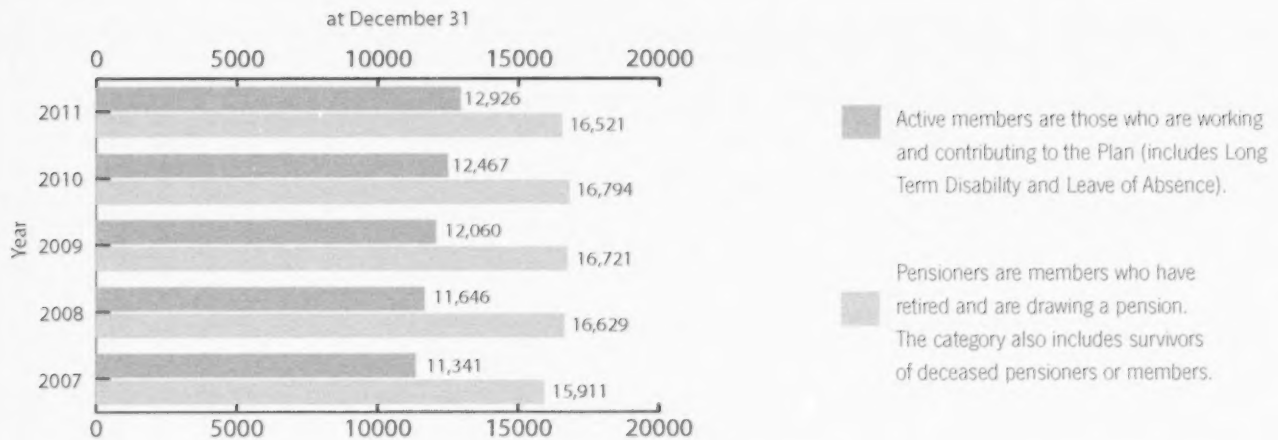
Average annual lifetime pension	\$2,277	\$2,408
Average annual temporary pension (bridge benefit ¹)	\$882	\$932
Average age	43.9	44.3

Source: Nova Scotia Public Service Superannuation Plan, Report on the Actuarial Valuation for Funding Purposes as at December 31, 2011

¹ Bridge Benefit: The bridge benefit is added to the lifetime pension to form the total annual pension benefit paid prior to age 65. As its name suggests, the bridge benefit is only meant as a bridge between the date of retirement and age 65 at which time it ceases (at age 65 most members are eligible to receive the Canada Pension Plan Benefit from the federal government).

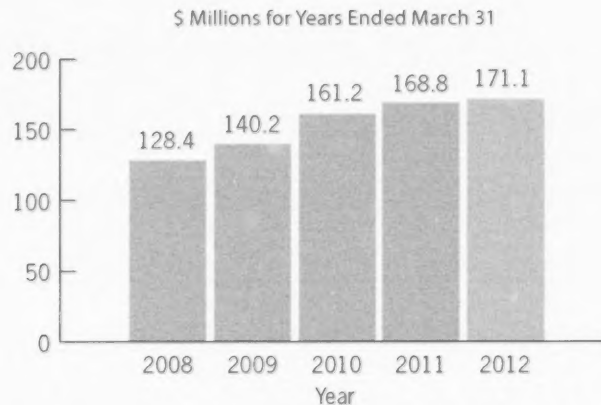
Member and Pensioner Administration

Change in Active Member and Pensioner Membership



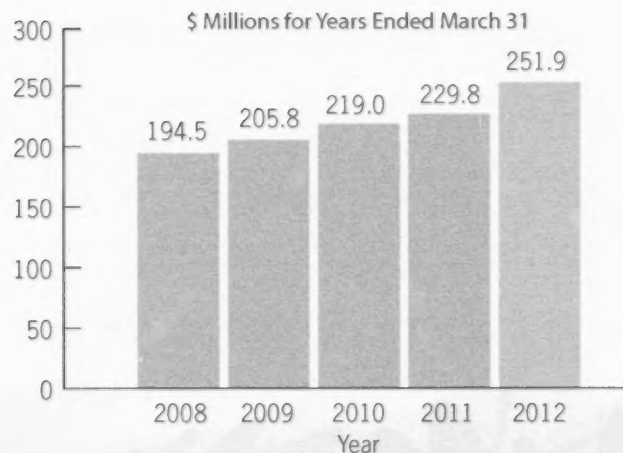
Employee and Employer Contributions

Active members' current contributions to the Plan plus employers' matching contributions are shown in the bar graph. Active members contribute on average 9.0% of their salary. This contribution is matched by employers.



Pensions Paid

Pension payments for the year ended March 31, 2012 totaled \$251.9 million compared to \$229.8 million for 2011. This increase is due primarily to the increase in the number of pensioners year over year.



Member Services

Contact from Members

In 2011, we answered thousands of phone calls with more than 90% of them within 20 seconds or less. You can also contact us at any time through our general e-mail address: pensionsinfo@gov.ns.ca

Forms

Whether you are looking for a retirement form or a beneficiary form, you can find them online at:

<http://www.novascotiapension.ca/publicserviceplan/members/forms>

Pre-Retirement Seminars

Pre-retirement seminars are coordinated by the Public Service Commission and our consultants present at these on a regular basis, ensuring that anyone considering retirement has all the information they need to make this important decision. The seminars are an excellent opportunity to learn about all aspects of retirement benefits, including pension, post-retirement health benefits, and service awards. For more information about these sessions, please contact your Human Resource Consultant or inquire online through the Learn Net web portal at:

<https://learnnet.learnflex.net/include/login.asp?url=/users/index.asp>

Online Pension Benefit Calculator

If your retirement date is more than two years away, we encourage you to try our online pension benefit calculator. Just enter a few pieces of data such as your salary and when you would like to retire, and see what your pension is estimated to be at that time. If you are within two years of retirement, you should also contact our office so that we can ensure any gaps in service or purchased service is properly reflected in your employment history. Try the calculator at:

<http://www.novascotiapension.ca/publicserviceplan/calculators>.

Technology Project

We have embarked on a multi-year technology project to further enhance our services for you. In the coming year, we will develop a new web site where you will be able to see some of your pension information online through a secure log-in function. In future phases of the project, we will provide even more online calculators and helpful retirement planning information.

Reciprocal Transfer Agreement

Have you ever worked for government in another province? The Public Service Superannuation Plan is part of a number of transfer agreements with other Canadian pension plans. The object of these agreements is to permit a pension plan member to transfer their pensionable service from one plan to another when they change employment. To see which agreements your Plan is a party to, go to:

<http://www.novascotiapension.ca/publicserviceplan/members/transferagreements>.



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